



Chatham Islands Council

Annual Plan
2019 / 20



chatham islands council

Our people, our Islands, our future

Profile of the Chatham Islands

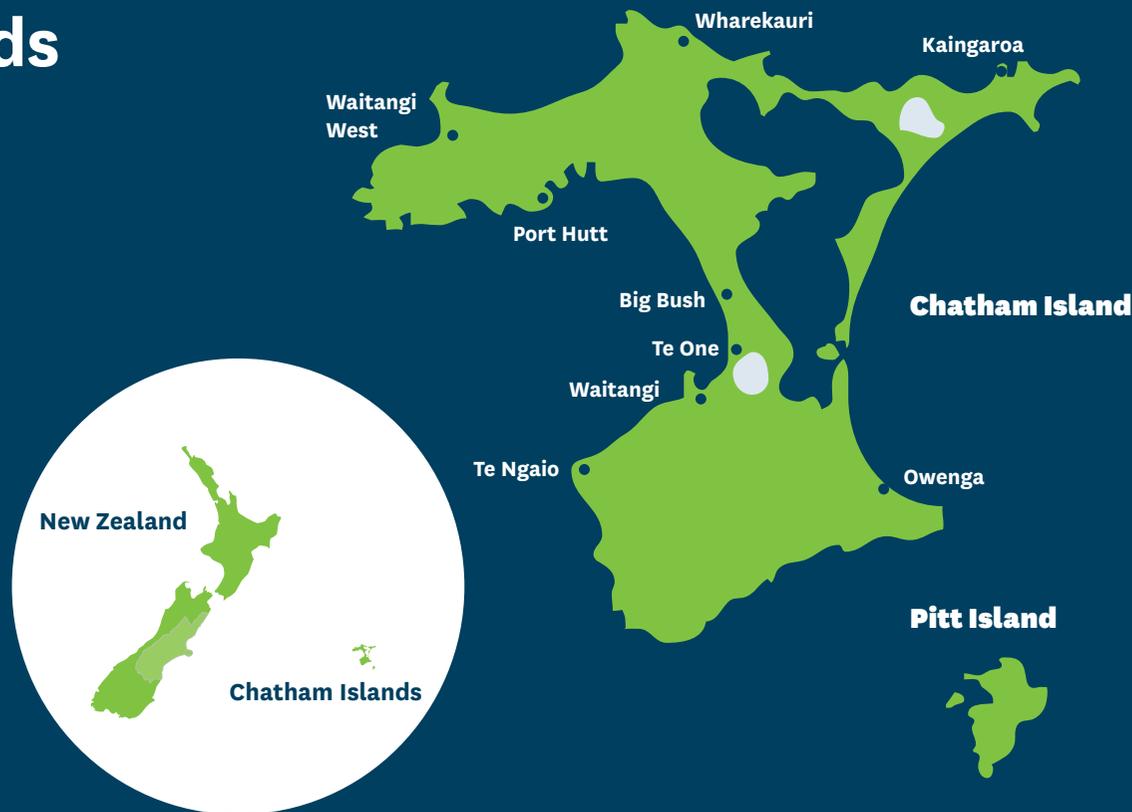
The Chatham Islands and its people are a unique community, isolated by 800 kilometres of ocean from mainland New Zealand.

The Chatham Islands consist of two main inhabited islands, Chatham Island and Pitt Island. Pitt Island lies 23km south east of Chatham Island and both islands are surrounded by a number of smaller islands, all within a radius of approximately 50km. The main island, Chatham, has an area of 90,000 hectares. Pitt Island has an area of 6,300 hectares.

The Islands were formed by a volcanic up-thrust and the land surface is predominantly flat with a number of peaks, the largest peak rising to 188 metres. A significant landmark of Chatham Island is 'Te Whanga' which is a large lagoon that covers approximately 20,000 hectares or about one-fifth of the Island. There are five settlement areas on the main Island – Waitangi, Te One, Owenga, Port Hutt and Kaingaroa.

The 'livelihood' for the majority of Islanders is dependent on fishing and farming. Their continued welfare and the Islands' viability are linked with the sustainable management of the natural and physical resource base.

Chatham Islands Council is the smallest local authority in New Zealand. It has both district and regional council responsibilities.



The Islands at a glance

Usually 640 people live in the Chatham Islands.

Its population is the smallest in size out of the 53 districts in New Zealand.

The most common occupational group on the Chatham Islands is Labourers, compared with Professionals in New Zealand as a whole.

In total, 59% of households have access to the Internet, compared with 77% of households throughout New Zealand.

In the Chatham Islands, 4% of households have access to a cellphone, compared with 77% for New Zealand. This is because there is no cell phone coverage on the Chatham Islands.

Among households in private occupied dwellings, 54% own the dwelling, with or without a mortgage; the equivalent figure is 65% for New Zealand as a whole.

There are 662 rateable properties and 102 non-rateable properties.

The unemployment rate in Chatham Islands territory is 2.5% for people aged 15 years and over, compared with 7.1% for all of New Zealand.

Source: Statistics New Zealand 2013 Census Data

Contents

Profile of the Chatham Islands	2
Welcome from the Mayor and Chief Executive	4
Highlighting our Key Projects	5
Financial Information	7
Key Assumptions	7
Accounting Policies	9
Financial Statements	11
Annual Plan Disclosure Statement	14
Rating Information	15
Fees and Charges	17
Council Funding Impact Statement	20
Glossary	22
The Organisation	23





Welcome from the Mayor and Chief Executive

Welcome to our 2019/20 Annual Plan.

This document is intended to supplement the information in our Long-Term Plan 2018-28 which sets out our priorities and planned activities, subject to funding availability.

In this document, we will provide a financial update to our community that considers our funding constraints, revised priorities and any legislative changes that have been formalised after the adoption of the Long-Term Plan in June 2018. We will also identify where this may impact on the services we provide to our community.

Our application for additional funding in the 2018/19 and 2019/20 financial years were unsuccessful. This resulted in our 2018/19 budget being updated to reallocate all non-roading capital expenditure to the 2019/20 financial year, including all critical water and wastewater infrastructural work. This approach to defer and reallocate critical infrastructural work will again be repeated in 2019/20.

In our Long Term Plan 2018-2028 Council assumed there would be additional provision in the Crown appropriation to adequately cover our necessary capital expenditure and operational expenditure shortfalls including any increased compliance work from legislative changes for the 2019/20 and outgoing years. Remaining at the status quo level of funding will negatively impact our financial position, as well as our ability to respond to increased compliance and legislative changes. Our engagement message highlighted that if we were unsuccessful in obtaining additional funding; the status quo position will remain, the level of service will not increase, and Council will not borrow. The Council will also be unable to achieve a balanced budget for the 2019/20 financial year as there is a difference between our total roading works and the NZ Transport Agency (NZTA) subsidy of approximately \$500,000. To operate in a financially sustainable manner, Council will be required to continue deferring any non-roading capital expenditure and reprioritising any operating expenditure, with an aim of covering any operating shortfalls.

Alfred Preece, *Mayor*
Owen Pickles, *Chief Executive*

Highlighting our Key Projects



Council's key projects focus on infrastructure.

Council seeks to achieve a safe and efficient infrastructural system that recognises economic, social and environmental benefits, and meets the immediate and future needs of the Chatham Islands community.

Council's approach to providing services on-island is to maintain the current standard of operation, where current operational costs are primarily covered from Government support.

With no additional Government support being available in 2018/19 and 2019/2020, this will accelerate the wear and Ztear on our assets with the net effect of higher costs to repair in the future. It will also impede our ability to complete critical infrastructural projects, reducing the level of service experienced by our residents.

The Council aspires to deliver the following projects to the Community:

1. Roothing Infrastructure

Roothing work priorities are outlined in the Chatham Islands Roothing Asset Management Plan and agreed with the NZ Transport Agency (NZTA). The cost of maintaining these roads is very high relative to the population.

The Chatham Islands Council work plan focuses on maintaining an efficient, reliable and safe road network that supports the local economy.

NZTA has committed to investing in maintaining, operating, and renewing our local roads. Our level of works is reliant on funding support from NZTA, with the rate currently set at 88% of total rooothing expenditure.

Total rooothing expenditure is estimated at \$4.0 million for the 2019/20 financial year, the assumed NZTA subsidy therefore equates to \$3.5 million. The difference between rooothing expenditure and the NZTA grant ("the shortfall") is approximately \$0.5 million, which is not covered by rooothing rates.

Council had to self-fund the difference in 2018/19, and will need to self-fund the difference again in 2019/20 as the applications for an increased Crown contribution were unsuccessful. The funding shortfall will result in expenditure and levels of service reducing, with the difference being covered through rates, borrowing, or a combination of both.

2. Emergency Management Operations Centre

The Emergency Management Operations Centre project addresses the need for a unified Civil Defence and Emergency Management complex that can respond to the needs of the community in the event of a crisis.

The Council's overarching objective of the centre is to provide an efficient and effective system of emergency management that minimises the potential effect of all hazards on the community and the environment. With the challenges associated with isolation and remoteness it is necessary to establish a resourced facility that supports, enables and strengthens community resilience in such times.

A site for the centre has been purchased and was temporarily used as a project base during the Waitangi wharf development. Council expects the building to cost approximately \$2 million, based on historic estimates. For forecasting purposes, it is assumed the project will be completed by 2020/21, funded by a mixture of debt and grants from emergency response partners, including: Fulton Hogan, Fire and Emergency New Zealand, Maritime Safety New Zealand, St John's, and the Ministry of Civil Defence and Emergency Management. With the current funding uncertainties, Council will need to revise its cost estimates and consider whether there is sufficient funding assistance to commit Council to funding the development through debt or delay construction until other support is sourced; either as an outright grant or annual assistance to repay debt.

3. Township Water Schemes

The township water scheme upgrades have been in response to community concerns and non-compliance with the New Zealand Drinking Water Standards. Recently, Waitangi water supply reservoirs have been drained to low levels due to leaks and excessive draw-downs, which required conservation notices to be issued. Therefore, it is critical that such issues of supply be addressed for Waitangi. In addition, it is desirable that the water supply reticulation be extended to Te One.

A Ministry of Health funded investigation and design has been completed. The cost of implementing the design is expected to cost \$3 million, and Council assumed the project would be funded from debt. An application for increased funding to support an investment programme through debt was unsuccessful, therefore alternative funding opportunities will need to be considered to progress this critical upgrade.

New areas in Te One connecting to the water supply are expected to incur a new water targeted rate for the service. It is assumed any increase in operating costs from the establishment of new water schemes will be funded from these targeted rates from new consumers connecting to the service. Future rates revenue and operating costs associated with new connections joining the water scheme cannot be reliably estimated and due to this uncertainty has been excluded from the budget.

Sustainable and reliable water sources for the townships of Kaingaroa, Owenga, Waitangi and Te One also remain at the forefront of Council's key projects. To achieve our community outcomes, it is important that the community's drinking water standards are met. For this reason, Council is driven to address issues that have a direct impact on the health and safety of the community. Council must also consider the potential changes that may be required to our water infrastructure in response to the Havelock North gastroenteritis outbreak of 2016. Learnings from the Department of Internal Affairs' review are likely to be applied nationwide, potentially resulting in new standards that would require further upgrades to water infrastructure on-island.

There is currently no funding available to the Council for these upgrades. If stricter drinking water standards are implemented, capital upgrades may not be viable. No upgrades have been allowed for the existing Waitangi water treatment plant on the basis that the planned scheme upgrade proceeds. Remedial works will be required at Waitangi now the planned scheme upgrade is deferred.

4. New Council offices and community complex

The construction of the administration and community complex remains a key project for the Council. It is proposed this project will be completed in two stages, the first stage being the construction of the museum and Council administration facility, with the second stage being the development of a community complex.

Previously, it was assumed the Council would fund the cost of the development and own the building. However, Council is now working with an on-island organisation to lease a purpose-built facility, in partnership with the Chatham Islands Enterprise Trust.

Whilst the scope and cost of the building is still under negotiation, it has been assumed lease payments will be based on standard commercial rates, set at 9% of the building's value, reduced by partners' contributions and the one-off funding grant of \$1 million from the Ministry of Culture and Heritage towards the new Museum, subject to approval of the grant being transferred.

These new rental costs were expected to be covered from an increased annual Crown contribution from 2019/20 going forward. However Council will now need to reconsider how these rental costs will be funded. Once the first stage has been completed, Council will begin fundraising to support the development of a community complex for our Islanders.

Financial Information



Key Assumptions

Availability of funding

In November 2004, Cabinet agreed to provide Crown funding to meet the costs of the Council fulfilling its statutory responsibilities. After a review of the long-term financial assistance package for the Council, support levels were agreed with the Department of Internal Affairs and set out in a Deed of Funding. The Deed of Funding reiterates the intention of the Government to provide a funding assistance package to the Council on an ongoing basis, although the funding mechanism and amount may be subject to change. Our strategic financial documents have been developed based on this assumption that sufficient funding will be made available from external sources to ensure minimum legislated levels of service are met and funding of network asset construction is supported.

Annual Crown contribution: Council's ability to operate and fund the maintenance of its core infrastructure (and new capital projects) relies on the annual Crown contribution being increased to include the funding shortfalls, including new items of expenditure (such as rental costs on the Council building and assistance with debt repayment on key projects). Status quo funding excludes the effect of depreciation; therefore, Council cannot currently support an asset replacement programme. This means that works specified in the asset management plans or identified as a community need based on public consultation may not be undertaken.

NZ Transport Agency subsidy rates: Achieving the roading network budgets outlined is heavily reliant on continued funding assistance from the NZ Transport Agency (NZTA), who have set the Funding Assistance Rate at 88% of total roading expenditure. The difference between roading expenditure and the NZTA grant is \$537,000; which is not covered by roading rates.

With no increased support from the annual Crown contribution process, Council will have to consider options available to it to fund the difference, including debt, which Council cannot afford to repay without assistance.

Population changes and cost of living

It has been assumed that the population base will remain stable for the foreseeable future and the cost of living relative to household income will not influence families to migrate elsewhere.

Although growth remains static, it is noted that the population of the Chatham Islands is ageing. Better township environments for pedestrians that cater for those with mobility impairments will be important to ensure accessibility for an ageing population. Council is committed to ensuring there are appropriate facilities and services to meet the needs of the community, while also ensuring rates remain reasonable for our community. Council assumes any financial hardships will be managed through the rates remission and postponement policy.

Growth in tourism numbers puts further pressure and demand on the Islands fragile resources such as water and sewerage infrastructure.

Changes in land use

Council has assumed that land use will remain relatively static because of limited on-island development opportunities.

Levels of service

Council places reliance on sufficient funding being available from external sources to maintain a constant level of service. Service levels may require adjustment in response to issues identified by the community, changes to legislation, or other external factors. Levels of service, especially those pertaining to infrastructure, will remain static. Where development occurs, the increased application will be limited to that area or township.

Levels of service have not changed to those levels indicated in the 2018-28 Long-Term Plan. However, because its applications for additional funding in 2018/19 and 2019/20 were unsuccessful, Council's ability to deliver on its levels of service are significantly impacted.

Future price changes

Price level adjustments are based on those recommended to local Government by Business and Economic Research Limited (BERL). Where transportation of goods to the Island is a factor, an additional adjustment of 1% is made, reflecting this higher cost of providing goods and services on-island. The roading operating and capital expenditure inflation rates are based on the BERL roading rates, with no adjustment made, as most materials are sourced on-island.

Expected interest rates on borrowing and investments

Council has applied an interest rate on its current debt and overdraft facility at an average rate of 6.135% (actual rates range between 5.37% and 7.62%). Interest received is based on average cashflows over the ten-year period, applied to the expected BERL 90-day interest rates.

Due to the uncertainty of funding and cash flows, debt has been planned for in short intervals. It is assumed the Crown contribution will be paid annually in advance allowing a small interest amount to be received, also rendering interest on short term debt negligible; for this reason, no interest expense is forecast.

Frequency of asset replacement

Council has developed the asset replacement strategy on the assumption that projects will be completed in accordance with the capital expenditure programme as outlined in our Rooding Activity Management Plans and other strategic documents, subject to funding or capacity availability. Capital expenditure will only occur if there is funding to support the work. The Council does not have the resources to fund renewals from depreciation. Therefore, capital projects may be transferred between years to ensure that scheduled capital expenditure is affordable to Council. Deferral of programmed works will result in further deterioration of our existing assets.

Opportunities for shared services

We assume we will continue to build effective relationships with our regional partners including the Chatham Islands Enterprise Trust, Ngati Mutunga o Wharekauri Iwi Trust, Hokotehi Moriori Trust and other on-island Central Government Agencies. Council needs to ensure that there is sufficient capability and capacity available to meet the current and future level of works. This may include working with other on-island agencies to develop efficiencies.

An example of such a shared service is the construction of the administration and community complex. Council is working with an on-island company to build a purpose-built facility, with Council leasing the facility in partnership with the Chatham Islands Enterprise Trust.

Legislative change

Government regulations and Council documents such as the Resource Management Document shape the Council's operational and capital expenditure. Council's approach to providing services on-island is to maintain existing levels of service.

In August 2016, there was a significant outbreak of gastroenteritis in Havelock North that was traced to contamination of the Hawkes Bay District Council's potable water supply. The Government subsequently established an Inquiry, which has recommended significant, wide-reaching changes to the water supply industry. Even if only some of the recommendations are endorsed by the Government, it will have significant implications for Waitangi and Kaingaroa water supplies. Hence, Council has prudently allowed for capital upgrades to enable full compliance with the current drinking water standards without relying on 'secure' bore water status as at Waitangi or the caveat of "all practicable steps" as a reason for non-compliance as at Kaingaroa and providing a residual disinfectant in the reticulation not currently provided at Kaingaroa.

Council will not be able to fund the upgrades. Remedial works will be required at Waitangi, and if stricter water standards are implemented Council's water will not fully comply with current standards.

In all other situations, Council has assumed there will be no significant change in legislative or other requirements that would increase compliance costs or levels of service. If there is a significant change requiring an increase in funding to meet the new requirements, it is assumed an increased level of assistance will be provided from Central Government and no additional funding will be required from ratepayers or increased borrowings.

Approach to potential climate change impacts and resilience of infrastructure managing risks related to natural hazards

No adjustment has been made to the financial projections to reflect the potential impact of climate change. In addition, planned costs exclude the financial implications of a natural disaster as it is not possible to quantify any impact on Council. Although Council is insured, not all costs would be covered.

As is common for remote islands, most of the important infrastructure is located very near to the coastline, leaving it susceptible to natural disasters caused by the ocean.

The natural disasters the Chatham Islands are most likely to be exposed to include: cyclones, tsunamis, and localised flooding. Given the roading structure radiates outward to the various townships, it is likely that some areas will be cut-off due to such events as the roads being impassable. It is therefore essential that our residents are suitably provisioned for such events, which is promoted through our emergency management activities.

Key infrastructural assets may be potentially damaged from such events where the infrastructure is located on the coast such as wharves, bridges, seawalls, roads, pipelines, and pump stations. In the event that infrastructure is damaged, roading repair work will fall under the NZTA programme, and water and wastewater repairs will fall under the operations and maintenance contract, with any additional repair cost being funded through the Chatham Islands Mayors Relief Fund. If necessary, an application will be made for Crown assistance. Privately owned assets, such as wharves, will be repaired at the owner's expense.

As the settlements on the Islands are based coastally, the Islands are also exposed to a tsunami risk. The proposed Emergency Management Operations Centre is to be located away from the coast on high ground, with emergency event response managed from that base. Current operation centres include the Council office and the Fire Brigade both located on the Waitangi coast, which could be subject to tsunami damage if such an event were to occur; this could potentially prevent or delay an adequate emergency response.

Accounting Policies



Reporting entity

Chatham Islands Council is a local authority under the Chatham Islands Council Act 1995 and the Local Government Act 2002.

The primary objective of Chatham Islands Council is to provide goods or services for the community or social benefit rather than to make a financial return. Accordingly, for the purposes of financial reporting, Chatham Islands Council is a public benefit entity.

The prospective financial statements of Chatham Islands Council are for the period 1 July 2019 to 30 June 2020. They were authorised for issue by Chatham Islands Council on 27 June 2019, the proposed financial information is not subject to amendment. The accounting policies have been applied consistently to all periods presented in these prospective financial statements.

Chatham Islands Council is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Basis of preparation

The prospective financial statements are prepared in accordance with the Local Government Act 2002, which requires information to be prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) and other applicable financial reporting standards, as appropriate for public benefit entities. The financial statements have been prepared in accordance with Tier 2 PBE accounting standards.

Council has adopted the going concern assumption on the basis that it will continue to receive operational funding from Central Government in order to fulfil its required regional and territorial local Government responsibilities.

Measurement base

The prospective financial statements have been prepared on an historical cost basis, modified by the revaluation of certain infrastructural assets.

The prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand (\$000). The functional currency of Chatham Islands Council is New Zealand dollars.

Financial assumptions, judgements and estimations

These prospective financial statements have been prepared in compliance with PBE IPSAS, specifically PBE FRS 42 Prospective Financial Statements. The purpose of these prospective financial statements is to: contain the proposed annual budget and funding impact statement for the year to which the Annual Plan relates; identify any variation from the financial statements and funding impact statement included in the local authority's Long-Term Plan in respect of the year; provide integrated decision-making and coordination of the resources of the local authority; and contribute to the accountability of the local authority to the community. The information in these statements may not be appropriate for purposes other than those described.

The financial statements have been prepared using judgements, estimates and assumptions from management. These estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

Actual results are likely to differ from those estimates and the variations may be material. The estimates and underlying assumptions are reviewed on an ongoing basis. Details on significant assumptions are disclosed as part of the assumptions disclosure in this document.

Significant risks considered when preparing the budget

A number of risks have been considered in the preparation of the budget information. They are outlined in the key financial assumptions disclosure of the document, from page 7.

The prospective financial statements have been prepared in accordance with Council's accounting policies. Details on Council's specific accounting policies can be found in the Long-Term Plan or the Annual Report.



Reserve funds

RESERVE	Opening balance 1 July 2019	Increases	Decreases	Closing balance 30 June 2020
General Funds Annual Crown contribution to fund future development account to fund future development	38,611	1,289	-	39,900
Emergency Services Reserve Funds are set aside for emergency events such as natural disasters	250	-	-	250
Mayoral Relief Reserve Funds are set aside for emergency relief	15	-	-	15
Asset Revaluation Reserve Reserves generated by revaluations in property, plant and equipment and other assets	42,333	-	-	42,333
Total Equity	81,209	1,289	-	82,498

Financial Statements



Statement of Comprehensive Revenue and Expense

	Actual 2017/18 (\$000)	Long-Term Plan 2018/19 (\$000)	Long-Term Plan 2019/20 (\$000)	Annual Plan 2019/20 (\$000)
Revenue				
Rates	556	548	557	566
Grants & subsidies	6,753	7,921	8,059	7,959
Council Dues	370	275	279	265
User pays, fees & charges and other income	196	221	222	199
Interest	78	18	18	20
Total Revenue	7,953	8,983	9,135	9,009
Expenditure				
Depreciation and amortisation	1,678	2,080	2,239	2,074
Employment benefits	1,001	882	912	1,002
Financial costs	17	19	106	19
Other expenditure	4,675	4,633	4,977	4,625
Total expenditure	7,371	7,614	8,234	7,720
Total surplus/deficit	583	1,370	901	1,289
Comprehensive revenue and expense				
Increase/(decrease) in revaluation reserve	22,706	-	-	-
Total other comprehensive revenue and expense	22,706	-	-	-
Total comprehensive revenue and expense	23,289	1,370	901	1,289

Statement of Changes in Net Equity

	Actual 2017/18 (\$000)	Long-term Plan 2018/19 (\$000)	Long-term Plan 2019/20 (\$000)	Annual Plan 2019/20 (\$000)
Equity at the start of the year	58,373	61,676	63,046	81,209
Total comprehensive revenue and expense	23,289	1,370	901	1,289
Equity at the end of the year	81,662	63,046	63,946	82,498

Statement of Financial Position

	Actual 2017/18 (\$000)	Long-Term Plan 2018/19 (\$000)	Long-Term Plan 2019/20 (\$000)	Annual Plan 2019/20 (\$000)
Current assets				
Cash & cash equivalents	26	-	-	-
Cash funds held in trust	55	25	10	25
Cash investments	1,508	-	-	269
Current trade and other receivables	744	900	915	255
Total current assets	2,334	925	925	549
Non-current assets				
Non-current trade and other receivables	44	78	56	33
Property, plant & equipment	82,785	64,050	68,307	84,151
Total non-current assets	82,829	64,128	68,363	84,184
Total assets	85,163	65,052	69,288	84,733
Current liabilities				
Bank overdraft	358	386	217	945
Trade & other payables	2,612	1,004	1,086	677
Employee entitlements	93	64	67	74
Current portion of provisions	118	45	20	95
Current portion of term liabilities	60	62	381	381
Total current liabilities	3,240	1,562	1,771	2,172
Non-current liabilities				
Term liabilities	260	444	3,571	63
Total non-current liabilities	260	444	3,571	63
Total liabilities	3,500	2,006	5,342	2,235
Net assets	81,662	63,046	63,946	82,498
Public equity				
Accumulated funds & reserves	81,662	63,046	63,946	82,498
Total public equity	81,662	63,046	63,946	82,498

Statement of Cash Flows

	Actual 2017/18 (\$000)	Long-Term Plan 2018/19 (\$000)	Long-Term Plan 2019/20 (\$000)	Annual Plan 2019/20 (\$000)
Cash flow from operating activities				
Receipts from rates revenue	553	553	556	477
Receipts from grants and subsidies	7,939	7,939	8,046	7,940
Receipts from Council Dues	279	279	278	292
Interest received	18	18	18	24
Receipts from other revenue	243	243	243	201
Payments made to employees	(1,002)	(882)	(910)	(969)
Interest paid	(17)	(19)	(106)	(19)
Other payments to suppliers	(4,335)	(4,631)	(4,920)	(4,632)
Net cash flow from operating activities	2,772	3,500	3,205	3,314
Cash flow from investing activities				
Purchase of fixed assets	(2,864)	(4,406)	(6,495)	(3,964)
Sale (purchase) of other assets	(41)	38	-	-
Net cash flow from investing activities	(2,905)	(4,368)	(6,495)	(3,964)
Cash flow from financial activities				
Loans raised	-	200	3,622	200
Repayment of loans	(56)	(8)	(178)	(62)
Net cash flow from financial activities	(56)	192	3,444	138
Increase/(decrease) in cash held	(189)	(677)	154	(512)
Opening cash balance	(88)	316	(361)	(139)
Closing cash balance	(277)	(361)	(207)	(651)

Annual Plan Disclosure Statement

Annual Plan disclosure statement for the year ending 30 June 2020

What is the purpose of this statement?

The purpose of this statement is to disclose the Council's planned financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

The Council is required to include this statement in its Annual Plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Benchmark		Planned	Met
Rates affordability benchmark			
- Income	7.0%	6.3%	Yes
- Increase	1.9%	1.9%	Yes
Debt affordability benchmark	18,018	444	Yes
Balanced budget benchmark	100.0%	116.7%	Yes
Essential services benchmark	100.0%	188.6%	Yes
Debt servicing benchmark	20%	0.2%	Yes

Rates affordability benchmark

The Council meets the rates affordability benchmark if:

- Its planned rates income equals or is less than each quantified limit on rates and
- Its planned rates increases equal or are less than each quantified limit on rates increases

Rates (income) affordability

It compares the Council's planned rates income with a quantified limit on rates contained in the financial strategy included in this Annual Plan. The quantified limit is 7% of total revenue.

Rates (increases) affordability

It compares the Council's planned rates increases with a quantified limit on rates increases contained in the financial strategy included in this Annual Plan. The quantified limit on rates increases is the level of the consumer price index (CPI).

Debt affordability benchmark

The Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

It compares the Council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this Annual Plan. The quantified limit is 200% of total revenue.

Balanced budget benchmark

It displays the Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment). The Council meets this benchmark if its planned revenue equals or is greater than its planned operating expenses.

Essential services benchmark

It displays the Council's planned capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

Debt servicing benchmark

It displays the Council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant or equipment).

The Council meets the debt servicing benchmark if its borrowing costs equal or are less than 20% of its revenue.

Rating Information



Funding mechanisms

Council's funding mechanisms have not changed from that outlined in the 2018-28 Long-Term Plan.

General rates

Council uses Capital Value, being the market value of land, plus the improvements as per the valuation roll to levy rates. General rates are appropriate for funding activities where it is not practicable or cost-effective to identify the individual or group of beneficiaries of the service and charge them for the benefits received or costs imposed.

The rationale being that those with more capital are better able to bear the costs. It is also argued that those with more capital tend to consume more resources and have a greater interest vested in the management of those resources. Relief from rates is available through our rates rebate schemes targeted at community groups or those of low fixed incomes. Refer to our rates remission and postponement policies within our 2018-28 Long-Term Plan for further details.

The differentials used depend on land use and are set to achieve the following appropriate allocations representing benefits from the activities being funded. Council will set a general rate based on the capital value of each rating unit in the territory. The general rate will be set on a differential basis based on land use. The categories and apportionment are:

- Infrastructure will be charged 5.0% of the General Rate
- Industrial will be charged 14.5% of the General Rate
- Commercial will be charged 11.0% of the General Rate
- Rural and Residential will be charged 69.5% of the General Rate

This will result in the following rates:

Land Use	Rate (GST inclusive)	Total Collected
Infrastructure	0.00301357	\$17,078
Industrial	0.00604435	\$49,527
Commercial	0.00388703	\$40,262
Rural Residential	0.00180542	\$244,178
Total		\$351,045

In our financial strategy, rate increases have been limited to the rate of inflation. Council does not propose to set a uniform annual general charge.

For the 2019/20 financial year, it is projected Council will have 553 rating units within the region, with a capital value of \$159,466,350 and a land value of \$79,855,850.

Targeted rates

Targeted rates are appropriate for funding specific operating or capital projects where the activity mainly benefits a specific group of ratepayers or where the action or inaction of that group contributes to the need for the activity. Targeted rates are applied to the properties which benefit from the service provided. Targeted rates cannot be applied to purposes other than for which they were raised. Council uses the number of connections for funding the water supply activities, a per pan rate for funding sewerage activities, and a rating unit basis for funding waste management activities and the roading activities.

Lump sum contributions will not be invited in respect of targeted rates.

Council will set targeted rates based on a variety of rating bases as follows:

Water supply

Council uses the number or nature of connections for funding the water supply activities. Council will set a targeted rate for the public water supply. Rating units not connected to this scheme are not liable for this rate.

The estimated rates for the 2019/20 year are: \$771.80 per connection, which will collect \$80,267 (GST inclusive). This rate is the same for Kaingaroa and Waitangi.

Sewerage disposal

Council uses a per pan rate for funding sewerage disposal activities. Council will set a targeted rate for sewerage disposal based on each pan connected to the public service. Rating units that are not connected to the scheme are not liable for this rate.

The estimated rates for 2019/20 year are: \$802.25 per pan, which will collect \$74,610 (GST inclusive).

Solid waste

Council uses a rating unit basis for funding waste management activities and will set a targeted rate for sanitation (waste management) activities. Council will set a targeted rate for solid waste activities. Rating units on which there is no functional structures are not liable for this rate.

The estimated rates for the 2019/20 year are: \$185.87 per unit, which will collect \$62,824 (GST inclusive).

Roading

Council uses a rating unit basis for funding the land transport (roading) activities and will set a targeted rate for roading activities. This rate will be charged to all rating units on Chatham Island.

The estimated rates for the 2019/20 year are: \$144.77 per unit, which will collect \$64,133 (GST inclusive).

Fish rate

Council will set a targeted rate on a rating unit basis to the following rating units 420, 508 and 635. These rating units are for fishing businesses and the fee is to cover the charge of disposing of fish waste.

The estimated rates for the 2019/20 year are: \$0.0056402 per tonne including GST will collect \$18,443 (GST inclusive).

Warm homes

Council, along with the Energy Efficiency and Conservation Authority and the Chatham Islands Enterprise Trust, has provided a warm homes programme for residents. This programme provides subsidies for owners meeting certain criteria to insulate and install clean heating appliances. The difference is funded by way of loan, repaid by the homeowner over ten years through the rates account. The targeted rate is set to ensure there is sufficient cash to repay the loan over the ten-year period.

Rating table for 2019/20

The table below provides examples of the financial impact of rates on ratepayers in 2019/20 compared with 2018/19.

Sample property	District Capital Value of Property (\$)	2019/20 general rate (\$)	2019/20 targeted rate (\$)	2019/20 total rate (\$)	Total 2019/20 rates movement compared with 2018/19
Infrastructure	1,270,000	3,827.24	144.77	3,972.01	136.22
Industrial	200,000	1,208.87	1,904.69	3,113.56	29.46
Commercial	129,000	501.43	330.64	832.07	(-46.56)
Rural Residential	310,000	559.68	1,904.69	2,464.37	31.24
		2018/19 general rate (\$)	2018/19 targeted rate (\$)	2018/19 total rate (\$)	
Infrastructure	1,260,000	3,693.71	142.07	3,835.78	
Industrial	175,000	1,214.92	1,869.18	3,084.10	
Commercial	120,000	554.15	324.48	878.63	
Rural Residential	260,000	563.95	1,869.18	2,433.13	

Rates by instalments

Council proposes to collect the rates in three instalments, issued on: 1 September 2019, 1 January 2020 and 1 May 2020.

Penalties

A penalty of 10% is added to each instalment or part thereof that is unpaid after the last date for payment. The penalty dates are 15 October 2019, 15 February 2020 and 15 June 2020.

Previous year's rates that remain unpaid will have a further 10% penalty added on 6 July.

Penalties shall be added to the balance of the rates instalments levied in the current financial year that remain unpaid after each collection date and at year end.

Statement of fees and charges 2019/20

Fees and charges will increase in line with inflation except where they are determined by Government or bylaw.

ACTIVITY	FEE TYPE	DESCRIPTION	2018/19 Fee GST Inclusive	2019/20 Fee GST Inclusive
Building Consents	Building Consents Fees		Refer to http://wellington.govt.nz/services/consents-and-licences/building-consents/fees	Refer to http://wellington.govt.nz/services/consents-and-licences/building-consents/fees
Resource Consents	Land Information Memorandums (LIMs)	Per memorandum	\$226	\$230
	Urgent LIMs	Per memorandum	\$324	\$330
Land Use Consents	Notified Consent		\$2,000 deposit	\$2,000 deposit
	Charge out rates	Recovery of actual planner costs charged to Council	An administration charge of \$115 per planner hour	An administration charge of \$115 per planner hour
	Non-Notified Consents		\$463	\$472
	Controlled Activity Consents		\$694	\$707
Subdivision Consents	Non-Notified – Boundary Adjustments		\$591	\$602
	Non-Notified – 2 lots or less		\$669	\$682
	Non-Notified – 3 to 5 lots		\$1,544	\$1,573
	S 223 Certificate		\$308	\$314
	S 224 Certificate		\$308	\$314
	S 226 Certificate		\$411	\$419
	S 139 Certificate of Compliance		\$489	\$498
Liquor Licensing	Club License	Fees will be based on the Sale and Supply of Alcohol Act 2012	Determined by the Liquor Licensing Inspector and the District Licensing Committee	Determined by the Liquor Licensing Inspector and the District Licensing Committee
	On License	Fees will be based on the Sale and Supply of Alcohol Act 2013	Determined by the Liquor Licensing Inspector and the District Licensing Committee	Determined by the Liquor Licensing Inspector and the District Licensing Committee
	Off License	Fees will be based on the Sale and Supply of Alcohol Act 2014	Determined by the Liquor Licensing Inspector and the District Licensing Committee	Determined by the Liquor Licensing Inspector and the District Licensing Committee
	Managers Certificate	Fees will be based on the Sale and Supply of Alcohol Act 2015	\$316	\$316
Health Inspection	Inspection Fee		\$268	\$273
Animal Control	Dog registration		\$62	\$63
	Dog registration – Early		\$38	\$39
	Fines under Dog Control Act 1996	Vary per offence, (Per Sch. 1 of the Dog Control Act)	From \$100 up to \$750	From \$100 up to \$750
	Impounding Fees		\$103	\$105

ACTIVITY	FEE TYPE	DESCRIPTION	2018/19 Fee GST Inclusive	2019/20 Fee GST Inclusive
Cemetery	Sale of Caskets		At cost plus 10%	At cost plus 10%
	Sexton Fees		At cost plus 10%	At cost plus 10%
	Sale of Plots		\$586	\$597
Community Housing	Rentals – 3 Bedroom	Per week (effective from 1 January)	\$128	\$130
	Rentals – 2 Bedroom	Per week (effective from 1 January)	\$101	\$103
Staff Housing	Rental – 3 bedrooms	Per week (effective from 1 January)	\$160	\$163
Coasts, Harbours & Navigation	Swing Mooring Fees – Registration and Transfer	Per year	\$78	\$79
	Waitangi	Per year	\$3,141	\$3,201
	Owenga	Per year	\$2,617	\$2,667
	Kaingaroa	Per year	\$2,093	\$2,133
	Port Hutt	Per year	\$2,093	\$2,133
	Flower Pot	Per year	\$524	\$534
	Permission of Harbourmaster – Oil Tanker		\$105	\$107
	Application for Exemption		\$63	\$64
	Application for Suspension		\$262	\$267
	Application for Reservation		\$262	\$267
	Cruise ship fee	Per visit	Per Arrival \$1/GT (Gross Tonnage)	Per Arrival \$1/GT (Gross Tonnage)
			Per Departure \$1/GT	Per Departure \$1/GT
			Anchoring/Sheltering \$0.20/GT per day or part thereof	Anchoring/Sheltering \$0.20/GT per day or part thereof
Administration Requests	Information Requests	Staff time	\$40 per half hour or part thereof	\$40 per half hour or part thereof
		Photocopying	20 cents per page copied after the first 20 pages	20 cents per page copied after the first 20 pages
	Photocopying	With own paper	10 cents per copy	10 cents per copy
		With CIC paper	20 cents per copy	20 cents per copy
		With CIC coloured paper	50 cents per copy	50 cents per copy
		With CIC card	50 cents per copy	50 cents per copy
		Double sided photocopies	30 cents per copy	30 cents per copy
	Laminating	Per page	\$3	\$3
	Stationery	A4 paper per ream (white)	\$16	\$16
		A4 paper per ream (coloured)	\$19	\$19
		Envelopes – plain	65 cents per envelope	65 cents per envelope
	Envelopes – plain with postage	\$1.40 per envelope	\$1.40 per envelope	
	Large envelopes	\$1.70 per envelope	\$1.70 per envelope	
Library	Book rentals	Per book	Free	Free
	DVD hire	Per night	\$5 per DVD	\$5 per DVD

Council dues

No change to Council dues. The current Special Order for the adoption of rates for Council dues was ratified by the Council to take effect from 25 November 1991.

Carriage by sea	Quantity	2019/20 Fee GST Exclusive
Rock Lobster, Paua, Scallops and Oysters	Tonne	\$200
Other fish meat and fish bait	Tonne	\$18
Cooler goods (fruit, vege, etc.)	m ³	\$5
General Cargo	m ³ /Tonne*	\$18
Diesel, Oil in bulk	1,000 litres	\$24
Petrol/Avgas in bulk tanks	1,000 litres	\$25
Petrol/Avgas in 200 litre drums	Drum	\$5
Hazardous Goods	m ³ /Tonne*	\$18
Vehicles (including boats, trailers, motorbikes, etc.)	m ³	\$5
Timber	m ³	\$12
Dry Bulk (cement, fertiliser, coal, animal feed)	m ³ /Tonne*	\$12
Wool and Moss	Bale	\$12
Animals, large (cattle/horses)	Each	\$5
Animals, small (sheep, pigs, dogs, fowls, goats)	Each	\$1

*m³/Tonne - whichever is the greatest

Carriage by air	Quantity	2019/20 Fee GST Exclusive
Rock Lobster, Paua, Scallops and Oysters	Tonne	\$200
Other fish meat and fish bait	Tonne	\$18
General Cargo		6% of freight charged
Minimum Freight	0.1	



Council Funding Impact Statement

The Local Government Act 2002 and the Local Government Regulations require the Council to adopt a funding impact statement for the Council. The funding impact statement must identify: the sources of funding to be used; the amount of funds expected to be produced from each source; and how the funds are to be applied.

The timing of the recognition of income and expenditure in the funding impact statements is consistent with the forecast financial statements. However, transactions with no funding impact, such as depreciation, have been removed.

Details on how activities are funded and the rationale for each funding source selected are given in the revenue and financing policy in our 2018-28 Long-Term Plan. Examples of the impact of the rating proposals are detailed on page 16, including the rates assessed on different categories of rateable land are also included.

	Long-Term Plan 2018/19 (\$000)	Long-Term Plan 2019/20 (\$000)	Annual Plan 2019/20 (\$000)
Source of operating funding			
General rates, uniform annual charge, rates penalties	292	297	305
Targeted rates	256	260	261
Subsidies and grants for operating purposes	4,506	5,470	4,556
Fees and charges	-	-	70
Interest and dividends from investments	-	-	20
Local authorities fuel tax, fines, infringement fees, and other receipts	514	519	394
Total operating funding	5,568	6,546	5,606
Applications of Operating Funding			
Payments to staff and suppliers	4,777	4,944	4,629
Financial costs	19	106	19
Internal charges and overheads applied	738	945	998
Total application of operating funding	5,534	5,995	5,646
Surplus (deficit) of operating funding	34	551	(40)
Source of capital funding			
Subsidies and grants for capital expenditure	3,415	2,589	3,403
Increase (decrease) in debt	138	3,364	138
Total Source of Capital Funding	3,553	5,953	3,541
Application of Capital Funding			
Capital expenditure			
- to improve the level of service	1,997	3,460	-
- to replace existing assets	2,409	3,035	3,970
Increase (decrease) in reserves	(818)	8	(469)
Total applications of capital funding	3,588	6,504	3,501
surplus (deficit) of capital funding	(34)	(551)	40
Funding balance	-	-	-

Glossary

These definitions are intended to define terms in this Annual Report in plain English. For legal definitions, refer to the Local Government Act 2002.

Activity

Groups of related services, projects or goods provided by or on behalf of the Council are combined into an activity. These activities are then put into groups of activities.

Annual Plan

The Annual Plan is produced in the intervening years between the Long-Term Plan. It includes an updated budget and explains variations to the Long-Term Plan. It also confirms arrangements for raising revenue for the next financial year. The community must be consulted on the Annual Plan.

Annual Report

The Annual Report reports on the performance of the Council against the objectives, policies, activities, performance measures, indicative costs, and sources of funds outlined in the Annual Plan and the Long-Term Plan.

Asset management plan

A long-term plan for managing an asset to ensure that its capacity to provide a service is maintained and costs over the life of the asset are kept to a minimum.

Capital value

Value of a property including land and improvements.

Community outcomes

A set of statements that describe the vision the Chatham Islands has for its future. The Council seeks to contribute to these outcomes through its various activities.

Current assets or liabilities

Assets or liabilities that are expected to be used up during the year.

Depreciation

Depreciation is an accounting concept to recognise the use of an asset.

Imi/Iwi

People or tribe.

Infrastructure assets

Infrastructure assets are utility service networks i.e. water, sewage, storm water and roading. They also include associated assets such as water pump outlets, sewerage treatment plant, street lighting, and bridges.

Land value

Value of land excluding improvements.

Local Government Act 2002

The Local Government Act 2002 is the primary legislation that governs the Council's operations and actions.

Long-Term Plan (LTP)

A 10-year plan that sets out the Council's response to community outcomes and how the Council will manage its finances and the community's resources.

Operating expenditure

Expenditure through the Council's activities on such items as salaries, materials and electricity. All these inputs are consumed within the financial year.

Operating revenue

Money earned through the activities in return for a service provided, or by way of a grant or subsidy to ensure particular goods or services are provided. Examples include subsidies, rental revenue, permits, fees and council dues.

Operating surplus / (deficit)

Operating surplus and operating deficit are accounting terms meaning the excess of revenue over expenditure or excess expenditure over revenue respectively. Revenue and expenditure in this context exclude capital items such as the cost of infrastructural works. An operating surplus/(deficit) is inclusive of non-cash items such as depreciation and revenue and expenditure owing but not paid (debtors and creditors) and depreciation.

Performance measures

These have two parts: first, a simple explanation of the measure by which performance will be assessed; and second, performance targets. The Council uses these measures when reporting on how it has performed in its various activities.

Property, plant and equipment and intangible assets

These consist of software, hardware, land and buildings and infrastructure assets including sewerage and water systems, and roading. They are sometimes referred to as fixed assets and or capital assets.

Public equity

Public equity represents the net worth of Chatham Islands Council if all the assets were sold for the values recorded and the liabilities were extinguished.

Regulatory role

The Council has a regulatory role as it operates under and enforces a range of legislation.

Significance

Significance means the degree of importance of the issue, proposal or decision of matter before the Council in terms of its likely impact on or consequences for the current and future social, economic, environmental and cultural wellbeing.

Statement of cash flows

This describes the cash effect of transactions and is broken down into three components: operating, investing and financing activities.

Statement of comprehensive revenue and expense

This can also be referred to as the profit and loss statement. It shows the financial results of the various Chatham Islands Council activities at the end of each period as either a surplus or a deficit. It does not include asset purchases or disposals.

Statement of financial position

This shows the financial state of affairs at a particular point in time. It can also be referred to as the Balance Sheet.

Sustainable development

Sustainable development is generally defined as development that meets the needs of the present without compromising the capacity of future generations to meet their own needs.

Wellbeing

In this document, wellbeing includes the social, economic, cultural and environmental aspects of a community. The community outcomes are factors of wellbeing.

The Organisation



Council and Management

Mayor
Alfred W Preece

Deputy Mayor
Jeffrey Clarke

Councillors

Monique Croon

Nigel Ryan

Keri Day

Richard Joyce

Jason Seymour

Eva Tuck

To contact Councillors:
email info@cic.govt.nz

Council Staff

Chief Executive
Owen Pickles
owen@cic.govt.nz

Operations Manager
Cindy Butt
operations@cic.govt.nz

Emergency Manager
Rana Solomon
rana@cic.govt.nz

Engineers

Stantec Ltd (Christchurch)
(formerly Stantec New Zealand Ltd)

Nigel Lister, Shaun Boshier, Ali Siddiqui
Bryan Peters – Roads and bridges

Richard Bennett, Kristen Norquay –
Water and wastewater

Phil Landmark –
Waste management and minimisation

Contractors

Environment Canterbury
Fulton Hogan Ltd

Resource management

Beca Ltd

Solicitors

Wynn Williams

Bankers

ANZ (Waitangi – Chatham Islands)

Auditors

Audit New Zealand
(on behalf of the Auditor-General)



chatham islands council

Chatham Islands Council
PO Box 24
Tuku Road
Waitangi
Chatham Islands

Ph: (03) 3050 033
(03) 3050 034
Fax: (03) 3050 044
Email: info@cic.govt.nz
Web: www.cic.govt.nz
R19/1